

Message Text

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PAGE 01 NEW DE 18657 290810Z
ACTION EB-07

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E.O. 11652: N/A
TAGS: EAIR IN
SUBJECT: CIVAIR: PROPOSED USER CHARGE INCREASES

REF: STATE 310469

1. ACTING ECONOMIC COUNSELOR CALLED ON B.S. GIDWANI, DIRECTOR GENERAL OF CIVIL AVIATION, DECEMBER 28, TO DISCUSS PROSPECTIVE INCREASES IN LANDING AND OTHER CHARGES AT INDIAN INTERNATIONAL AIRPORTS.

2. GIDWANI TOLD EMBOFF THAT NEW CHARGES WOULD NOT REPEAT NOT ENTER INTO EFFECT AS OF JANUARY 1 BUT WOULD BE HELD IN ABEYANCE PENDING RESULTS OF MEETING BETWEEN IATA DIRECTOR GENERAL HAMMARSKJOLD AND CIVIL AVIATION MINISTER IN MID-JANUARY. GIDWANI FELT GOI HAD PROVEN THAT IT WAS MORE THAN WILLING TO DISCUSS NEW CHARGES BEFORE INTRODUCING THEM. IN ADDITION TO AN IATA TEAM OF EXPERTS, MEMBER OF HAMMARSKJOLD'S PERSONAL STAFF NAMED LEWIS HAD BEEN IN DELHI A FEW WEEKS AGO TO DISCUSS MATTER WITH SECRETARY OF CIVIL AVIATION MINISTRY. GIDWANI INDICATED GOI WOULD BE WILLING TO CONSIDER SOME MODIFICATION OF ITS PROPOSAL BASED ON HAMMARSKJOLD'S ARGUMENTS, BUT IT WAS CLEAR THAT HE PERSONALLY WAS CONVINCED THAT MAJOR INCREASE IN USER CHARGES WAS JUSTIFIED. HE POINTED FOR EXAMPLE TO COMPARATIVE LANDING CHARGES IN WESTERN EUROPE, UNITED STATES AND "SOME LIMITED OFFICIAL USE

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PAGE 02 NEW DE 18657 290810Z

ASIAN COUNTRIES".

3. WHEN EMBOFF RAISED QUESTION OF RELATIONSHIP BETWEEN NEW LEVEL OF CHARGES AND COST OF SERVICES PROVIDED, GIDWANI EXCLAIMED, "IF WE WERE GOING TO COVER OUR COST, WE WOULD HAVE TO CHARGE THEM SIX TIMES AS MUCH". HE ASSERTED THAT AS

A MATTER OF POLICY GOI DOES NOT ATTEMPT TO RECOVER COST OF OPERATIONG AIRPORTS THROUGH CHARGES ON AIRPORT USERS. GOI RECOGNIZED THAT AIRPORTS PROVIDED OTHER GEVNERAL BENEFITS, SUCH AS DEFENSE FACILITIES, PORTS FOR EXPORTS, AND STIMULUS TO TOURISM. THEREFORE, GOI WAS WILLING TO ABSORB CONSIDERABLE PORTION OF AIRPORT OPERATING EXPENSES ITSELF. FROM GIDWANI'S POINT OF VIEW, PROBLEM WAS THAT FORMER CHARGES HAD BEEN VIRTUALLY NEGLIGIBLE AND IMPACT ON AIRLINES CAME FROM DECISION TO MAKE AIRLINES PAY PORTION OF COST OF SERVICES.

4. GIDWANI WAS NOT SYMPATHETIC TO IDEA THAT INCREASE IN USER CHARGES BE IMPOSED GRADUALLY. HE ASKED RHETORICALLY WHETHER AIRLINES WISHED TO SEE INDIAN AIRPORTS IMPROVED ONLY GRADUALLY. HE SAID FINANCE MINISTRY WOULD NOT SUPPORT FULL COST OF IMPROVE-
MENT PROGRAMS NOW BEING UNDERTAKEN AT BOMBAY, CALCUTTA, AND MADRAS. AIRPORT AUTHORITIES THEREFORE, NEEDED INCREASED REVENUE FROM OTHER SOURCES IN ORDER TO UPGRADE THESE FACILITIES. (BOMBAY HAS UNDERGONE RECENT IMPROVEMENT PROGRAM).

5. GIDWANI SAID NIGHT HOURS SURCHARGE SERVED TWO PURPOSES. FIRST, IT HELPED COVER ACTUAL COST OF OPERATING AIRPORTS AT THOSE HORS EXCLUSIVELY FOR INTERNATIONAL CARRIERS. SECOND, IT WAS INTERNDED TO SERVE AS DISINCENTIVE FOR MIDDLE OF THE NIGHT SCHEDULING ON INTERNATIONAL FLIGHTS INTO INDIAN AIRPORTS. GIDWANI SAID HE WAS EVEN CONSIDERING A CURFEW, BUT RECOGNIZED THIS WOULD RENDER SCHEDULING OF DIRECT FLIGHTS BETWEEN WESTERN EUROPE AND SOUTH EAST ASIA VIRTUALLY IMPOSSIBLE.

6. AS ABOVE REVEALS, GIDWANI WAS UNSYMPATHETIC TO USG CONCERN OVER THIS ISSUE. HE SAID HE WOULD NEVER QUESTION US LIMITED OFFICIAL USE

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PAGE 03 NEW DE 18657 290810Z

AIRPORT AUTHORITY IN SUCH MATTERS, WHICH WERE, IN HIS VIEW, "INTERNAL MANAGEMEMNT DECISIONS". EMBOFF POINTED OUT THAT PRINCIPAL US CONCERN WAS TO ASSURE THAT AIRLINES WERE GIVEN FULL OPPORTUNITY TO CONSULT WITH GOI AND THAT CHARGES NOT BE EXORBITANT IN RELATIONSHIP TO COST. GIDWANI'S REMARKS HAD BEEN REASSURING ON BOTH THESE COUNTS. ON THIRD QUESTION OF GRADUAL INTRODUCTION OF INCREASE, EMBOFF SAID HE WOULD CONVEY GIDWANI'S VIEWS TO THE DEPARTMENT.

7. COMMENT: GIDWANI'S REMARKS CONTAIN BOTH GOOD NEWS AND BAD. THE GOOD NEWS IS THE DELAY IN IMPLEMENTATION OF THE CHARGE INCREASE UNTIL AFTER THE HAMMARSKJOLD VISIT AND THE WILLINGNESS TO DISCUSS DETAILS OF THE PROPOSAL THAT THIS IMPLIES. PANAM REPRESENTATIVE PEDERSEN WAS SURPRISED TO HEAR THAT NEW LEVEL OF USER CHARGES WOULD NOT TAKE EFFECT JANUARY 1, AND IS DISCUCCING THIS FURTHER WITH LOCAL HEAD OF BOARD OF AIRLINES REPRESENTATIVES. THE BAD NEWS IS THAT THERE SEEMS LITTLE DOUBT THAT INCREASE WILL EVENTAULLY TAKE EFFECT IN THE GENERAL

MAGNITUDE OF THE GOI'S ORIGINAL PROPOSAL. ACCORDING TO ANOTHER PANAM OFFICIAL, AIRPORT AUTHORITY HAD ORIGINALLY PROPOSED SAML INCREASE IN CHARGES BUT HAD BEEN OVERRULED BY CIVIL AVIATION MINISTRY IN DISPUTE WHICH EVENTUALLY REACHED MINISTER HIMSELF. IN THE CIRCUMSTANCES, IT APPEARS VIRTUALLY IMPOSSIBLE FOR EMBASSY TO OBTAIN AIRPORT COST ACCOUNTING DATA WITH WHICH TO CHALLENGE GOI POSITION. IF DEPARTMENT HAS FIGURES ON REPRESENTATIVE CHARGES AT OTHER MAJOR AIRPORTS IN ASIAN AREA, IT MAY BE POSSIBLE TO PURSUE MATTER.
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